

## RESEARCH NOTE

# The impact of financialisation on public health in times of COVID-19 and beyond

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## Abstract

The substantial literature in political economy and sociology has shown that the increasing importance of financial activities (financialisation) exhibits significant effects on many socioeconomic conditions. While these conditions are relevant to public health, the dominant focus of the literature has been centred on the impact of financial markets on health services and health-care systems. This paper analyses how the financialisation of non-financial corporations, real estate and pensions can worsen public health through the transformation of workplace and living conditions as well as financially dependent social groups' perception of health risk. Our analysis raises several questions which aim to provide the basis of a future research agenda on the effects of financialisation on public and global health.

## KEYWORDS

financialisation, inequalities, public health

The financialisation of the society and the economy, that is '...the increasing importance of finance, financial markets, and financial institutions to the workings of the economy' (Davis & Kim, 2015), and its socioeconomic effects have gained significant attention during the last decade. More specifically,

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**Abbreviations:** COVID-19, coronavirus disease 2019; FRED, federal reserve economic data; MER, middle east respiratory syndrome; OECD, organisation for economic co-operation and development; SARS, severe acute respiratory syndrome.

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financialisation can be defined as the increased dominance of financial institutions and motives over the scope and priorities of traditional non-financial sectors of the economy as well as ordinary people (Martin, 2002). Sociologists (e.g. Carruthers & Kim, 2011; Dwyer, 2018; Keister, 2002; Krippner, 2005; Volscho & Kelly, 2012), as well as political economists (e.g. Epstein, 2005; Orhangazi, 2008; Stockhammer, 2017; van der Zwan, 2014), explore how financialisation influences different aspects of social and economic life, including employment relations and income inequality. Nonetheless, as Hunter and Murray (2019) claim, financialisation affects broader social conditions through shaping social institutions and subjectivities, which lead to new forms of social regulation.

It is well known that health and illnesses are affected significantly by social conditions, which vary across space and time (e.g. Galanis & Hanieh, 2021; Marmot et al., 2008; Weitz, 2001). Over the last 40 years, social conditions across the globe have been greatly influenced by different aspects of globalisation, neoliberalism and financialisation. While recent sociological research has studied several of the effects of neoliberalism – broadly speaking – and globalisation (e.g. Navarro, 2007; Schrecker, 2016; Sparke, 2017), the potential effects of financialisation on public health have been studied almost exclusively in terms of the financialisation of health-care system. Recent literature focuses on how global private equity funds' investments in health-care systems and the rise of various health-care-related financial instruments have induced the marketisation of the sector, leading to worsening and more unequal health-care provision (Bailey et al., 2019; Hunter & Murray, 2019; Llewellyn et al., 2020; Rowe & Stephenson, 2016; Stein & Sridhar, 2018; Vural, 2017). The purpose of this article is to propose general research questions on the relationship between financialisation and public health outcomes by identifying key mechanisms related to the financialisation of non-financial corporations (NFCs), real estate, consumption and pensions.

## FINANCIALISATION AND INEQUALITIES

A growing sociological and political economy literature has shown that financialisation exhibits significant effects on many aspects of everyday life, like consumption patterns and housing affordability (Martin, 2002). Furthermore, these aspects affect social conditions which are relevant to health. Identifying and investigating these effects can provide new insights with regard to social determinants of health and, as a result, ways to improve public and global health. First, we show how the different dimensions of financialisation affect social and economic outcomes related to inequalities as well as subjectivities relevant to public health.

The first dimension of financialisation is the financialisation of NFCs. The financial liberalisation of the post-1980s period has induced NFCs either to finance real investment through private credit or rely heavily on market finance and external shareholders. Therefore, corporate debt ratios have increased significantly mainly to fund share repurchases to boost dividend payment under the pressure of shareholders. Most firms decrease other costs – mainly wages – to counterbalance the increases in overhead financial costs (Lazonick & O'Sullivan, 2000; Lin & Tomaskovic-Devey, 2013).

The second dimension of financialisation is the financialisation of real estate. Since the early 1980s, financial institutions have shifted their focus on financing assets and especially real estate (Aalbers et al., 2020). Consequently, many countries have experienced mortgage debt-fuelled real estate bubbles and major affordability crises, since private debt has financed purchasing existing real estate rather than building new (Kohl, 2020). Signing a household debt agreement entails a commitment to repay the debt plus interest within a predefined term. Consequently, over this period, individuals prioritise maintaining their employment to secure a steady flow of income rather than be more demanding in their negotiations over wages and working conditions. As reported by Sweet (2018),

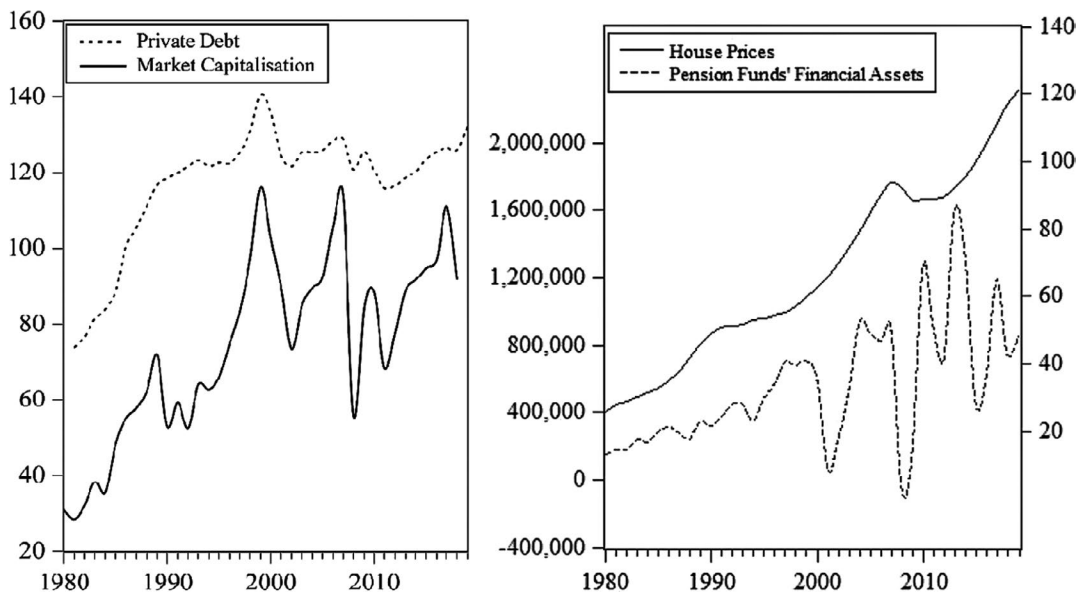
neoliberal narratives have reinforced the new subjectivity of indebtedness being associated with personal failure and risk averseness. Hence, the fear of private debt default has been identified as a key driver of wage reductions and declining labour militancy (Gouzoulis, 2020; Lazzarato, 2012).

Beyond mortgage debt, consumer debt is a third key dimension of financialisation, especially in advanced economies. Yet, since consumer debt is typically a very small proportion of total household debt (given that real estate is one of the most expensive purchases), its impact on the behaviour of indebted households will likely be less prominent.

Further, the fourth dimension of financialisation is the privatisation and financialisation of pension funds. The growing age of the population and several other factors have created concerns about the viability of pension funds over the last decades. One of the main responses to this potential crisis has been a notable change in the public and private pension mix, with pension funds investing in risky financial instruments (Ebbinghaus, 2011). Yet, the impact of this development on the behaviour of those effects has not been studied. Given the uncertainty that comes with pension funds investing in risky assets, one possible implication is that employees close to retirement will delay their retirement and retirees might have incentives to return to work to counterbalance a potential or expected loss of income.

Figure 1 presents key global trends of financialisation, using measures related to the discussion above. The trends demonstrate a steep increase in all four indicators since 1980, highlighting the extent of this structural shift.<sup>1</sup>

All things considered, there is evidence that financialisation has contributed to rising income inequalities through different channels. Given that rising inequality worsens health (Pickett & Wilson, 2015; Subramanian & Kawachi, 2004), redistributive policies can improve public health and well-being. Therefore, the financialisation–inequality–public health link leads to the broad question of whether ‘de-financialisation’ policies are likely to ameliorate public health. Understanding better this



**FIGURE 1** Global trends of financialisation. *Sources & Definitions:* Private Debt to the Non-Financial Sector (% GDP; World), Market Capitalisation (% GDP; World) – World Bank; House Prices (Index [2015 = 100]; Right Axis; OECD average) – OECD; Pension Funds' Financial Assets (Total, Level; Left Axis; Annual Change, Million USD) – FRED

nexus requires a more nuanced understanding of how financialisation not only affects income inequalities but also working and living conditions, as well as social behaviour and risk perception.

## FINANCIALISATION, TRANSMISSIBLE DISEASES AND PUBLIC HEALTH – TOWARDS A NEW AGENDA

Despite the world has experienced various outbreaks of transmissible diseases over the last century, the COVID-19 pandemic is the most significant public health crisis since the 1918 influenza. Contrary to SARS and MERS, the first COVID-19 vaccines have already been developed, but their roll-out remains slow with significant inequalities in their distribution, especially between the Global North and South. Thus, contagion dynamics and public health outcomes still depend crucially on the possibilities of non-pharmaceutical interventions, such as physical distancing. These, in turn, depend on social and economic conditions that are influenced by financialisation. This leads to several questions related to a country's ability to implement physical distancing measures and individuals' ability to comply. Following this intuition, the question that arises is to what extent financialisation affects physical distancing decisions and abilities across the society? If this is the case, are contagious diseases more likely to spread easier and more difficult to make the public adhere to social distancing rules in more financialised societies? Below, we highlight three key channels through which financialisation can affect social conditions related to social distancing and underline a set of open questions that emerge for public health sociologists:

First, does the mortgage debt-fuelled real estate affordability crisis lead firms and households to rent/purchase smaller workplaces and residencies? Since smaller places limit the possibilities of social distancing, do regions and cities that face such real estate crises also experience disease outbreaks that are more severe and occur more often? Regarding households, how does the rise of house/flat sharing as a form of renting affect contagious disease outbreaks, given that people who work in different workplaces live in multiple occupation properties with a common kitchen and/or bathroom? Does the fact that residencies in city centres have become unaffordable lead people to live the outskirts, thus, commute via crowded public transport that allows easier transmission of diseases? While there is a well-established literature on the housing-health nexus (Shaw, 2004; Swope & Hernández, 2019), our questions link more explicitly worsening housing conditions to the financialisation of the real estate, thus the improvement of public health to financial regulation. Utilising survey data that include information on housing conditions can offer interesting cross-regional insights into the casual relationships described above.

Second, are the effects of the fear of private debt default only limited to wage reductions or they also induce people to do extra temporary/part-time jobs while they are indebted to cover their increased financial commitments? If that is the case, how much does the fact that different people having contact with different workplaces during the day contributes to the spread of infectious diseases? Further, there is evidence that the emerging neoliberal subjectivity around private indebtedness leads to poorer subjective health behaviour and assessments as well as to stress-related mental and physical health issues (Sweet, 2018; Turunen & Hiilamo, 2014). Accordingly, do indebted employees value income more than their health and return to work while public health conditions are not appropriate yet? Given the behavioural nature of these arguments, survey data analysis and semi-structured interviews have the potential to provide fruitful insights regarding behavioural interventions.

Third, given the increased financial insecurity for older people due to pension funds' investments in risky financial assets, do we observe more people delaying their retirement or returning to work due

to actual or expected loss of income as a consequence of these investments? If yes, and given that people over 60 years old are more vulnerable, do we observe more severe infectious disease outbreaks in societies whose pension funds are more financialised? Given that such data on employment dynamics are available for several economies (e.g. see OECD), time series and panel regression analysis would be an appropriate approach to assess this causal link.

In closing, while the study of financialisation and its social and economic implications has been a research focus across social sciences, it has been studied less in the fields focusing on the social aspects of public health. We believe that the broad questions outlined above underline links between financialisation and public health via the transformation of working, living and social conditions. Therefore, they set the research agenda for a new strand within the sociology of public health and illnesses that has the potential to offer critical policy insights. The answers to these questions would vary across countries and would be also influenced by other social, cultural and economic factors; hence, this question is the starting point for a variety of more specific questions.

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### AUTHOR CONTRIBUTIONS

**Giorgos Gouzoulis:** Conceptualization (equal); Data curation (equal); Formal analysis (equal); Investigation (equal); Methodology (equal); Project administration (equal); Writing-original draft (equal); Writing-review & editing (equal). **Giorgos Galanis:** Conceptualization (equal); Data curation (equal); Formal analysis (equal); Investigation (equal); Methodology (equal); Project administration (equal); Writing-original draft (equal); Writing-review & editing (equal).

### DATA AVAILABILITY STATEMENT

The data used in this study are openly available at: <https://data.worldbank.org/indicator/FS.AST.PRVT.GD.ZS>; <https://data.oecd.org/price/housing-prices.htm>; <https://fred.stlouisfed.org/series/BOGZ1FL594090005Q>.

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### ENDNOTE

<sup>1</sup> Pension funds' financial assets series are reported only for the US due to data availability.

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